

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04

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P R 131713Z JUN 75

FM AMEMBASSY REYKJAVIK

TO SECSTATE WASHDC PRIORITY 5410

INFO CINCLANT

COMICEDEFOR

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

USMISSION NATO

UNCLAS REYKJAVIK 0665

C O R R E C T E D C O P Y TO ADD TAGS, SUBJ ETC

E.O. 11652: N/A

TAGS: ELAB, IC

SUBJECT: LAST-MINUTE SETTLEMENT AVERTS GENERAL STRIKE

1. WAGE AGREEMENT WAS SIGNED THIS MORNING BY MANAGEMENT AND ICELANDIC FEDERATION OF LABOR NEGOTIATORS, APPARENTLY ENDING THREAT OF GENERAL STRIKE THAT WAS TO HAVE BEGUN TODAY. AGREEMENT IS SUBJECT TO APPROVAL BY CONSTITUENT UNIONS, AND THERE WERE SOME WORK STOPPAGES THIS MORNING BY EMPLOYEES EITHER AWAITING FORMAL RATIFICATION OR WHO HAD WALKED OUT BEFORE GETTING WORD OF SIGNING.

2. NEW PACT, WHICH RUNS THROUGH DECEMBER 31, 1975, CALLS FOR IMMEDIATE ACROSS-THE-BOARD WAGE INCREASE OF 5300 KRONUR (APPROX. \$35) MONTHLY, FOLLOWED BY 2100 KRONUR (\$14) MONTHLY HIKE ON OCTOBER 1. THOUGH IMPOSSIBLE TO CALCULATE PRECISELY, TOTAL DIRECT WAGE INCREASE FOR EMPLOYEES AFFECTED WILL PROBABLY BE ON UNCLASSIFIED

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ORDER OF TEN PERCENT. IN ADDITION, IF COST-OF-LIVING INDEX

EXCEEDS PROJECTED INCREASE OF SOME 12 PERCENT BY NOVEMBER 1, FURTHER WAGE HIKES WILL BE GRANTED IN PROPORTION TO EXCESS. FINALLY, GOVERNMENT AGREED NOT TO ALLOW PRICE INCREASE IN AGRICULTURAL GOODS, SCHEDULED TO HAVE BECOME EFFECTIVE JUNE 1, DURING LIFE OF AGREEMENT.

3. COMMENT: BOTH SIDES -- LABOR AND GOVERNMENT/MANAGEMENT -- WILL CLAIM MEASURE OF SATISFACTION FROM AGREEMENT. LABOR, WHILE SETTLING FOR MUCH LESS THAN 38-39 PERCENT AVERAGE WAGE RAISE IT HAD PUBLICLY DEMANDED, DID GET GENERAL DIRECT INCREASE PLUS AUTOMATIC ESCALATOR CLAUSE (WHICH REPRESENTS KEY VICTORY IN PRINCIPLE WHATEVER ITS PRACTICAL VALUE). GOVERNMENT AND MANAGEMENT, BY SAME TOKEN, YIELDED ON INDEX QUESTION AND BACKED DOWN FROM INSISTENCE ON NO ACROSS-THE-BOARD INCREASE, THOUGH THEY GAVE UP AS LITTLE AS COULD HAVE REALISTICALLY BEEN EXPECTED ON LATTER SCORE. MOREOVER, OF COURSE, GOVERNMENT AVOIDED POTENTIALLY SEVERE DAMAGE OF STRIKE, WHICH COULD HAVE THREATENED ITS SURVIVAL. OTHER IMPORTANT CONSEQUENCES OF AGREEMENT -- IMPACT ON ECONOMY AND IMPLICATIONS FOR ABILITY OF MODERATE IFL LEADERSHIP TO WITHSTAND INTERNAL COMMUNIST CHALLENGE -- ARE, OF COURSE, UNCLEAR. ONE MAJOR POINT WHICH DOES STAND OUT IS LIMITED DURATION OF NEW SETTLEMENT, MEANING THAT PARTIES FACE TOUGH NEW NEGOTIATIONS AGAIN BEFORE END OF YEAR.

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